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CENTRAL INTELLIGENCE AGENCY

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1. The appearance of visible air defense means in Shanghai in March and April 1950 has done a great deal to raise the morale of the population. Large (unspecified) numbers of anti-aircraft guns have arrived since February, and down town Shanghai is felt to be extremely well defended. Broadway Mansions, which is entirely occupied by the military and houses the headquarters of the East China Military Control Commission and of civil air defenses, has anti-aircraft guns or radar installations on each of its numerous roofs. No Nationalist planes have appeared for some time, and fear of bombing has consequently decreased. The appearance of jet planes produced in Shanghai citizens the reaction "Even at best the Americans never brought jets to Shanghai, and they never gave any to the Nationalists. No Nationalist planes will dare come over now." Although a blackout is still officially in force, violators are not punished.
2. The Burlington Hotel as well as Broadway Mansions has been taken over by the Military Control Commission and is being used to house employees of the China Merchants Steam Navigation Company, all of whom, including the manager, were kept on at their previous salaries. The MTC specified in its contract with the hotel that all damages and taxes would be taken care of by MTC but made no mention of reimbursement to the hotel's stockholders. Other large buildings occupied by the military include the Metropole, Cathay Mansions, and the American School (see below). The Weida Hotel is occupied by Soviet air force personnel, including some women, although it is not known whether these are wives, clerks, or members of air crews. In addition to the Chinese offices in Broadway Mansions, there are some Soviet military personnel, in uniform, who are thought by the Shanghai public to be radar technicians or advisers for the anti-aircraft guns.
3. Although few Soviet uniforms are seen on the streets, large guided parties of obvious Soviet military personnel are seen everywhere. They have been buying everything in the stores, in a manner which to the local citizens more than makes up for the lost American tourist trade. Many of the men are accompanied by women thought to be their wives, and numbers of children are in evidence.

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4. Many of the Soviets who arrived in March and April are housed in the Hungjao district in a compound enclosed with a bamboo fence and guarded by Chinese sentries with tommy-guns. The fence begins west of the golf course and on one side of the highway extends to the Whangpoo. On the other side of the highway it runs several miles north; the eastern boundaries are beyond Hungjao airfield. When it was first built, several Chinese were arrested for snooping near it, and since then the fence has been given a wide berth. By late March 1950, all but twelve houses in the Hungjao area had been taken over by the military, usually for Soviet occupancy, and the remaining twelve residents had received notice. Foreigners and Chinese alike were evicted, on orders stating that nothing was to be removed, not even furniture, bedding, linen, or tableware. A few houses are occupied by Chinese officials of the Shanghai municipal government of the East China Military Control Commission, but some requisitioned houses are unoccupied or have only one person living in a large building.
5. Soviets domiciled in the area are served by six-wheeled buses of Soviet manufacture, many built on what look like American six-by-six chassis. Chinese authorities have canvassed Shanghai hotel men and restaurateurs, and are giving them commissions for the service, to find eight hundred cooks familiar with Russian cuisine, and preferably speaking Russian. Applicants are to report to the Cathay Hotel. Soviets in the Hungjao area are not under Chinese police or court jurisdiction but are handled by special Soviet authorities.
6. Many boxes, believed by Shanghai observers to contain unassembled aircraft or aircraft parts, were brought in by Soviet planes and are on Hungjao airfield. About thirty planes, some of which appear to be American models, are on the field, and unconfirmed reports credit it with twelve jet planes also.
7. In late 1949, the American School in Shanghai was presented a two-year retro-active tax bill for U.S. \$87,000, which was paid with some difficulty, although a few days of grace were allowed. The school petitioned the Communist authorities to remit part of the tax, since legally school tax rates were somewhat lower. After being returned four times for minor changes, the remission was finally granted, but by that time it was worth only about a sixth of the original sum. The school was then requested by the authorities to submit its scheduled tuition fees, but approval was delayed until it was too late to enroll students. In a secret meeting the board of directors decided to close the school. Shortly afterwards, although the decision had not been made public, the education department of the Shanghai municipal government announced that the premises must be used and took the school over at a rental to be fixed at a later date. They promptly moved in Chinese military personnel, in uniform (no Soviets), who do considerable drilling.

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